
FISCAL POLICIES MANUAL	1
REVENUE: NET LEASING ACTIVITIES	1
PREFACE	1
DEFINITIONS.....	1
POLICY	1
FISCAL IMPACT.....	2
ADMINISTRATIVE PROCEDURES.....	2

FISCAL POLICIES MANUAL

REVENUE: NET LEASING ACTIVITIES

PREFACE

State agencies may enter into lease agreements for assets such as land, buildings and personal property that generate revenue to the state. Industry specific lease agreements may or may not provide sufficient reporting of account data to properly disclose such activities in statewide financial statements.

DEFINITIONS

Lessee – Individual paying a fee to the lessor for the right to use real or personal property.

Lessor – Owner of real or personal property who gives another the right to use it in return for rental payments.

Net Lease – A lease providing that, in addition to the rent stipulated, the lessee pays such expenses as taxes, insurance, and maintenance. The landlord's rent receipt is thereby "net" of those expenses.

Triple Net Lease – A lease in which the lessee is to pay all operating expenses of the property or equipment and the landlord receives a net rent. For land and building leases, the tenant pays for all taxes, utilities, insurance, repairs, and janitorial service. For personal property, the expenses paid by the lessee may also include license fees. Debt service and income taxes are the responsibility of the lessor or owning agency.

POLICY

In order to properly account for and disclose net leasing activities in the statewide financial statements, agencies lease documents shall stipulate that the lessee must annually report expenses incurred net or triple net leasing agreements. Records shall be maintained for each type of asset managed under net leasing arrangements.

FISCAL IMPACT

This policy will allow the state to meet disclosure standards in the preparation of statewide financial statements. Agencies involved in net leasing activities may incur costs to establish accounting procedures necessary to meet the annual disclosure requirement.

ADMINISTRATIVE PROCEDURES

Agencies shall disclose net leasing activities and provide lessee expense information when completing the annual Leases Receivable Closing Package for the State Controller's Office.

All records shall be available for audit.